

File
BATON
BROADCASTING
INCORPORATED



INTERIM REPORT

FOR THE SIX MONTHS ENDED
FEBRUARY 28, 1979

BATON BROADCASTING INCORPORATED

INTERIM FINANCIAL REPORT

(Unaudited)

FOR THE SIX MONTHS ENDED FEBRUARY 28, 1979

(With comparative figures for 1978)

CONSOLIDATED STATEMENT OF INCOME

| | 1979 | 1978 |
|---|---------------------|---------------------|
| Revenue: | | |
| Air time sales net of agency commission | \$22,109,582 | \$18,617,082 |
| Production revenue | 7,075,536 | 6,627,839 |
| Printing revenue | 14,057,429 | 11,413,584 |
| Investment income | 286,131 | 251,574 |
| Operating expenses | 43,528,678 | 36,910,079 |
| Income from operations | 32,779,409 | 27,969,525 |
| Deduct: | | |
| Depreciation | 1,249,999 | 1,107,222 |
| Interest | 367,440 | 166,525 |
| Income before taxes | 1,617,439 | 1,273,747 |
| Income taxes | 9,131,830 | 7,666,807 |
| Net income before minority interest | 4,152,766 | 3,554,427 |
| Deduct minority interest | 4,979,064 | 4,112,380 |
| Net income for the period | 314,090 | 178,448 |
| | \$ 4,664,974 | \$ 3,933,932 |
| Number of shares outstanding | 6,900,000 | 6,900,000 |
| Net earnings per share | 67.6¢ | 57.0¢ |

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

| | 1979 | 1978 |
|--|---------------------|---------------------|
| Funds provided from operations: | | |
| Net income for the period | \$ 4,664,974 | \$ 3,933,932 |
| Add (Deduct) items not involving an outlay of funds: | | |
| Depreciation | 1,249,999 | 1,107,222 |
| Deferred income taxes | 219,306 | (130,572) |
| Goodwill amortization | 29,218 | 29,219 |
| Minority interest | 314,090 | 178,448 |
| Increase in long-term debt | 3,895,000 | |
| Payments on contracts receivable | 165,260 | |
| | 10,537,847 | 5,118,249 |
| Funds used for: | | |
| Acquisition of subsidiary | 2,772,051 | |
| Deduct working capital of subsidiary acquired | 806,814 | |
| | 1,965,237 | 16,834 |
| Investment in other companies | 10,243 | |
| Purchase of fixed assets | 3,927,265 | 1,845,626 |
| Dividends paid | 1,380,000 | 793,500 |
| Repayment of long-term debt | 322,767 | 190,268 |
| Mortgage receivable | | 378,000 |
| Total funds used | 7,605,512 | 3,224,228 |
| Increase in working capital during the period | 2,932,335 | 1,894,021 |
| Working capital, beginning of period | 18,257,260 | 14,696,950 |
| Working capital, end of period | \$21,189,595 | \$16,590,971 |

REPORT TO THE SHAREHOLDERS:

The unaudited consolidated net income of Baton Broadcasting Incorporated for the six months ended February 28, 1979 amounted to \$4,664,974 or 67.6¢ per share. This compares to net income of \$3,933,932 or 57.0¢ per share earned during the corresponding period last year.

Net income from the Company's broadcasting and production subsidiaries rose \$526,000 or 14.2% above a year ago.

Revenue from the sale of air time increased \$3,492,000 or 18.8% while production revenue added a further \$448,000 compared to last year. Operating expenses of the Company's broadcasting and production subsidiaries climbed \$3,053,000 and reflect higher costs for American television programs as well as wage increases called for under a new three year agreement with the National Association of Broadcast Employees and Technicians at CFTO-TV/Glen-Warren effective January 1, 1979.

C.F. Houghton Limited contributed \$433,000 to net income after provision for income taxes and minority interest, an increase of \$205,000 over last year. The higher net earnings are due to improved profit margins in the business forms and packaging operations. Gross revenue increased \$2,644,000 or 23.2% while operating costs climbed \$1,757,000 because of higher material and labour costs.

The January Nielsen rating survey shows CFTO-TV in Toronto with the largest January audience in the past six years and for twelve consecutive years CFTO-TV has been the number one rated television station in its coverage area. CKLW-AM in Windsor, Ontario continues to show substantial audience gains in its total coverage area. CFQC-TV and radio continue to be the number one rated stations in their market.

On February 8, 1979 the Canadian Radio-television and Telecommunications Commission announced a five year licence renewal for CFQC-TV in Saskatoon, Saskatchewan. The licence runs from April 1, 1979 to March 31, 1984.

The Company has acquired a 51% interest in All-View Interphase Systems Inc., at a cost of \$2,772,051 of which \$2,250,000 represents 9% cumulative, redeemable preference shares issued from treasury. All-View manufactures and sells sophisticated master antenna systems to apartment and condominium complexes.

Your Board of Directors has approved a dividend of 20¢ per share payable May 1, 1979 to shareholders of record at the close of business April 18, 1979. This is an increase of 3.5¢ per share over the 16.5¢ per share semi-annual dividend paid last year.

Advance sales bookings in all areas of the Company's activities continue to reflect increases over the previous year.

DOUGLAS G. BASSETT
President

April 12, 1979